



Congressional Budget Office

October 15, 2020

CBO's Current Revenue Forecast

Presentation to the Federation of Tax Administrators

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For further information about the venue, see <https://tinyurl.com/y23r8yn8>.

Introduction to CBO

- CBO was created by the Congressional Budget and Impoundment Control Act of 1974.
- CBO's Director is appointed jointly by the House and Senate.
- The agency provides nonpartisan and objective analysis of budgetary and economic issues.

Relevant CBO Publications

- *Monthly Budget Review*

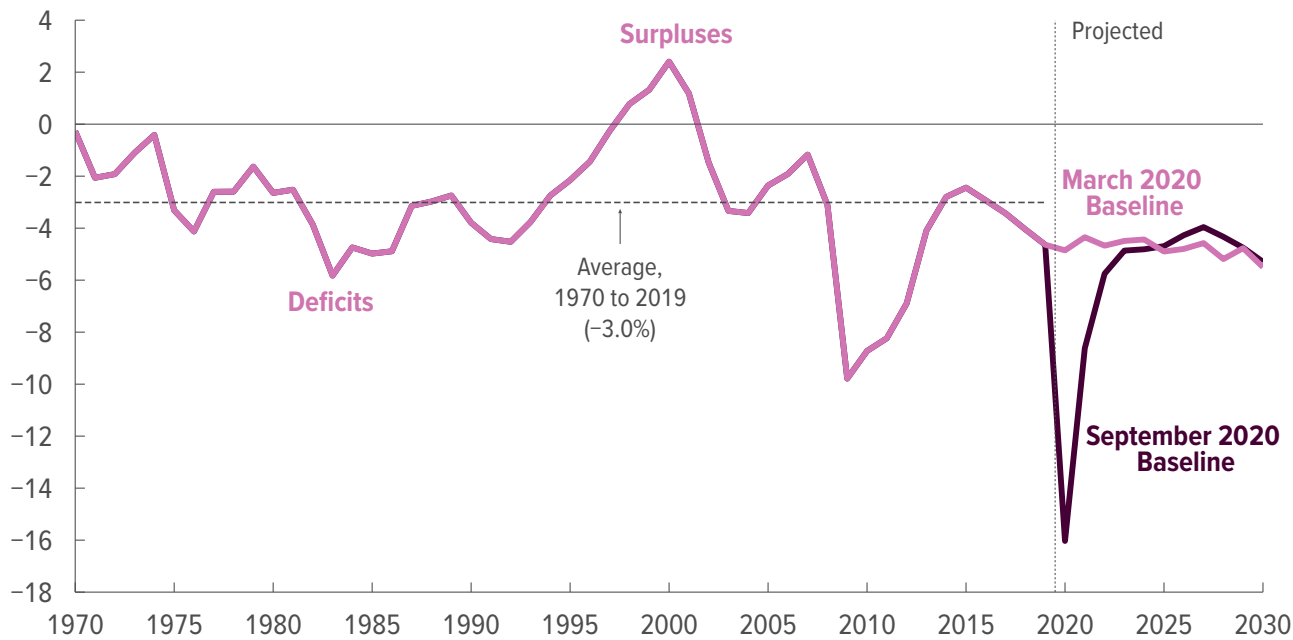
- *The Budget and Economic Outlook*
 - Published twice each year
 - Includes projections of revenues by source
 - Includes economic projections

- *The Long-Term Budget Outlook*
 - Published once each year

- *An Evaluation of CBO's Past Revenue Projections (August 2020)*

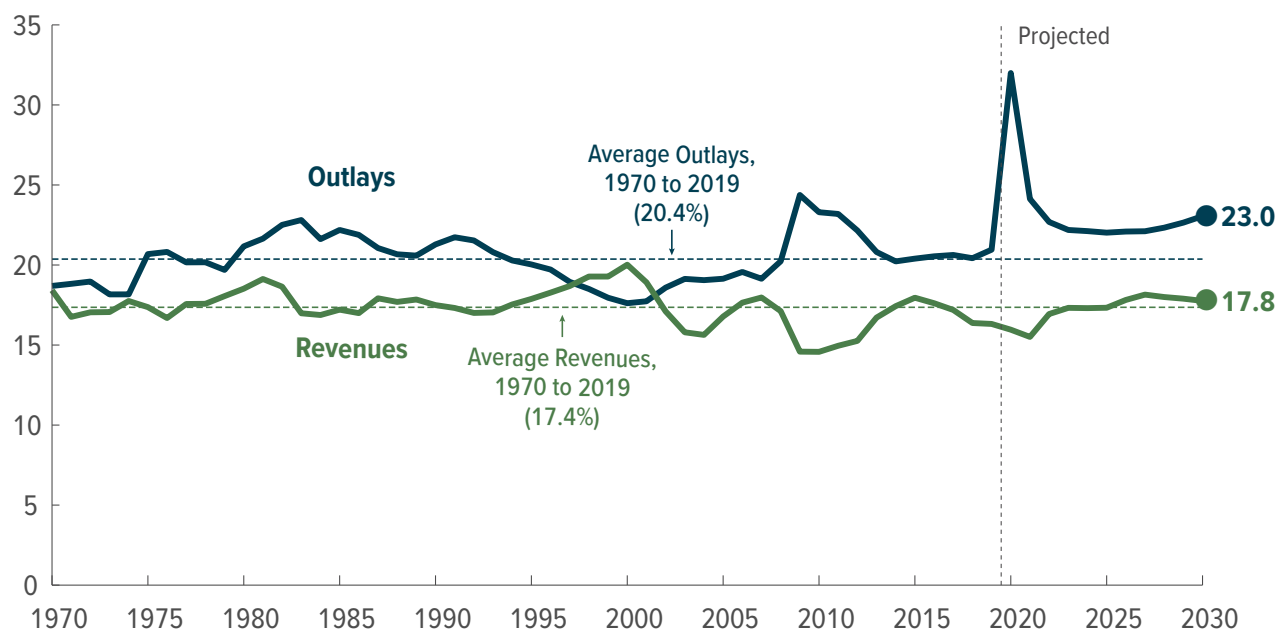
Deficits in CBO's September 2020 Baseline Versus Its March 2020 Baseline

Percentage of Gross Domestic Product



Total Revenues and Outlays

Percentage of Gross Domestic Product



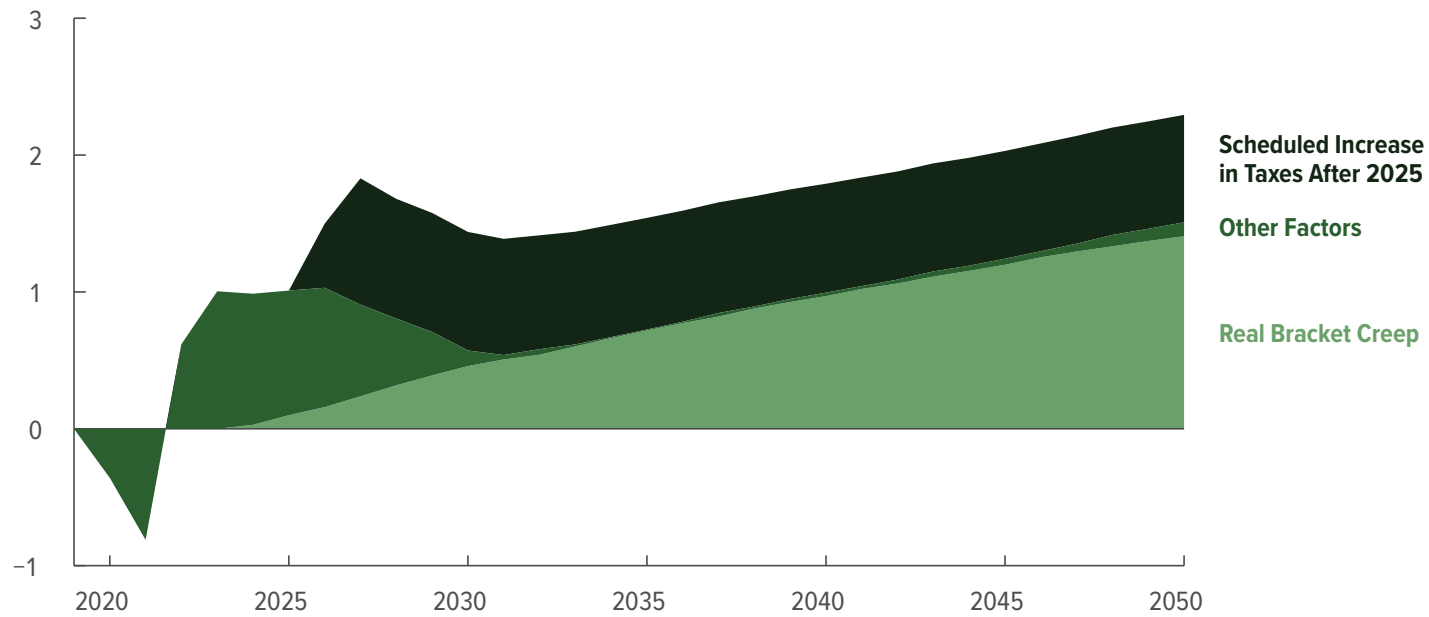
CBO's September 2020 Baseline Revenue Projections

Billions of Dollars

| | Actual, 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | Total 2021– 2030 |
|--|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------------|
| In Billions of Dollars | | | | | | | | | | | | | |
| Revenues | | | | | | | | | | | | | |
| Individual income taxes | 1,718 | 1,533 | 1,571 | 1,821 | 1,913 | 1,982 | 2,089 | 2,334 | 2,569 | 2,677 | 2,792 | 2,906 | 22,654 |
| Payroll taxes | 1,243 | 1,313 | 1,246 | 1,335 | 1,412 | 1,463 | 1,507 | 1,567 | 1,627 | 1,689 | 1,750 | 1,810 | 15,407 |
| Corporate income taxes | 230 | 151 | 123 | 234 | 289 | 319 | 347 | 352 | 356 | 368 | 378 | 387 | 3,152 |
| Other | <u>271</u> | <u>298</u> | <u>316</u> | <u>349</u> | <u>366</u> | <u>382</u> | <u>390</u> | <u>402</u> | <u>400</u> | <u>389</u> | <u>376</u> | <u>354</u> | <u>3,725</u> |
| Total | 3,463 | 3,296 | 3,256 | 3,739 | 3,980 | 4,146 | 4,334 | 4,656 | 4,952 | 5,123 | 5,296 | 5,457 | 44,938 |
| On-budget | 2,548 | 2,330 | 2,358 | 2,809 | 2,983 | 3,105 | 3,249 | 3,523 | 3,770 | 3,892 | 4,017 | 4,132 | 33,837 |
| Off-budget | 914 | 965 | 898 | 930 | 997 | 1,040 | 1,085 | 1,133 | 1,182 | 1,231 | 1,278 | 1,325 | 11,101 |
| As a Percentage of Gross Domestic Product | | | | | | | | | | | | | |
| Revenues | | | | | | | | | | | | | |
| Individual income taxes | 8.1 | 7.4 | 7.5 | 8.2 | 8.3 | 8.3 | 8.4 | 8.9 | 9.4 | 9.4 | 9.4 | 9.5 | 8.8 |
| Payroll taxes | 5.9 | 6.4 | 5.9 | 6.0 | 6.1 | 6.1 | 6.0 | 6.0 | 6.0 | 5.9 | 5.9 | 5.9 | 6.0 |
| Corporate income taxes | 1.1 | 0.7 | 0.6 | 1.1 | 1.3 | 1.3 | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.2 |
| Other | <u>1.3</u> | <u>1.4</u> | <u>1.5</u> | <u>1.6</u> | <u>1.6</u> | <u>1.6</u> | <u>1.6</u> | <u>1.5</u> | <u>1.5</u> | <u>1.4</u> | <u>1.3</u> | <u>1.2</u> | <u>1.4</u> |
| Total | 16.3 | 16.0 | 15.5 | 16.9 | 17.3 | 17.3 | 17.3 | 17.8 | 18.1 | 18 | 17.9 | 17.8 | 17.5 |
| On-budget | 12.0 | 11.3 | 11.2 | 12.7 | 13.0 | 13.0 | 13.0 | 13.5 | 13.8 | 13.7 | 13.6 | 13.4 | 13.2 |
| Off-budget | 4.3 | 4.7 | 4.3 | 4.2 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |

Changes in Revenues

Percentage of Gross Domestic Product

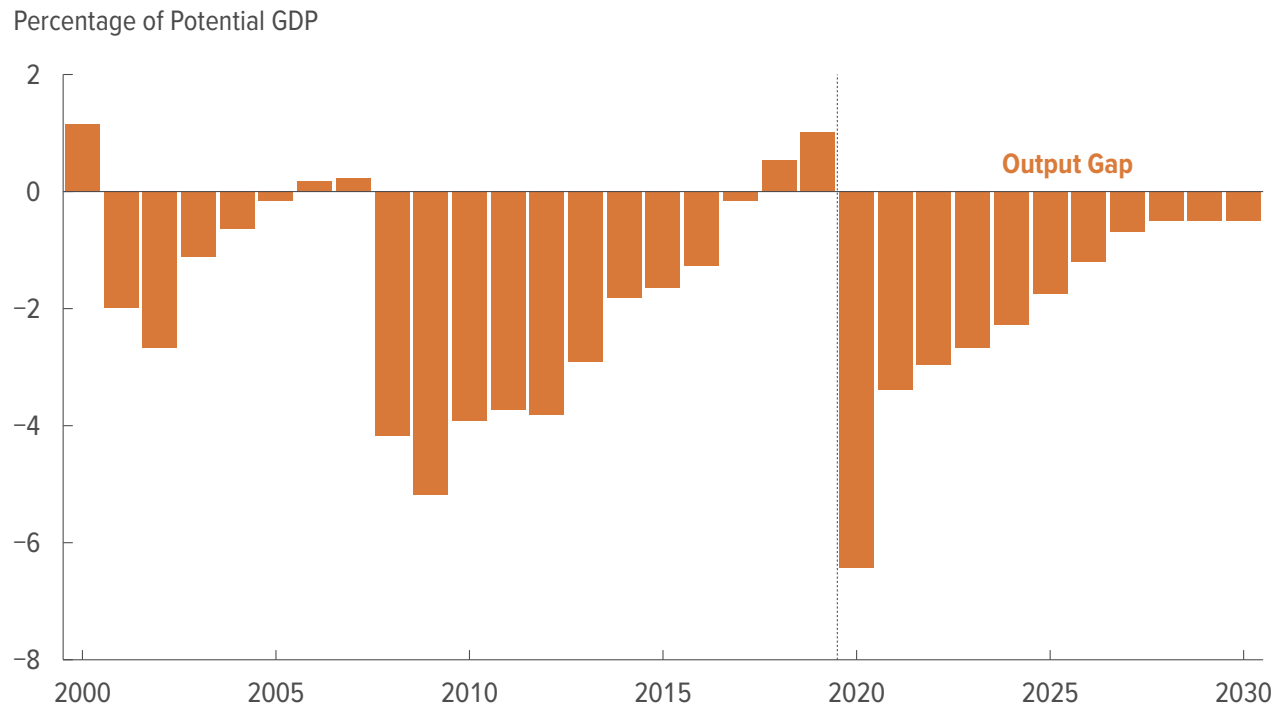


Changes in CBO's Baseline Revenue Projections Since March 6, 2020

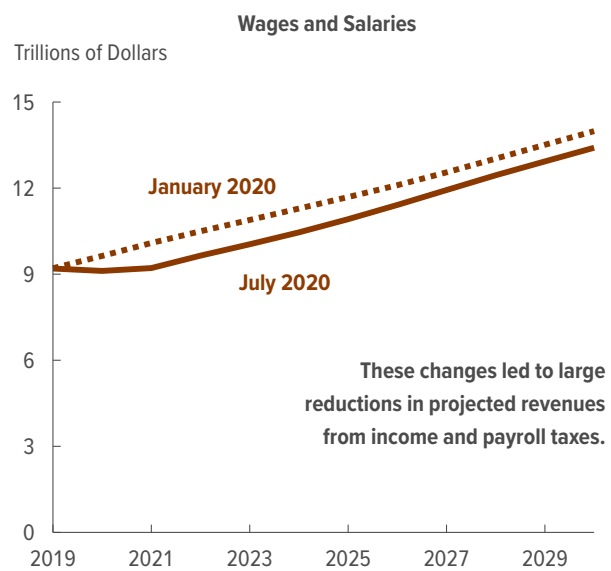
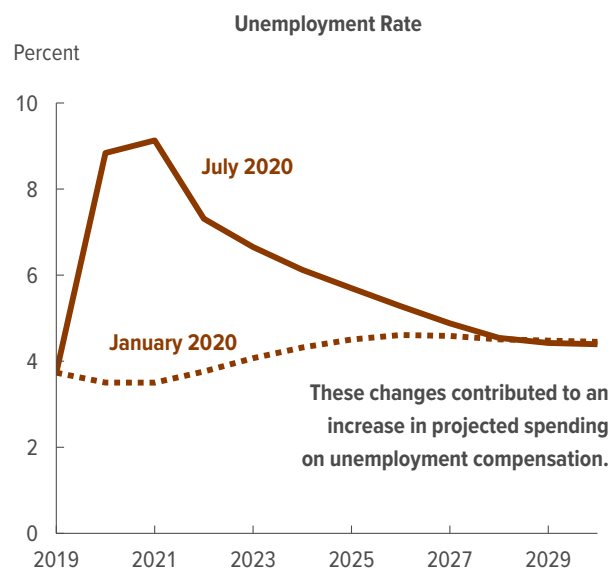
| Billions of Dollars | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | Total 2020–30 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|
| Legislative Changes | | | | | | | | | | | | |
| Individual income taxes | -462 | -256 | 184 | 179 | 2 | 2 | 2 | 1 | 1 | * | * | -348 |
| Payroll taxes | 3 | * | -1 | -1 | -1 | * | * | * | * | * | * | -2 |
| Corporate income taxes | -75 | -6 | 2 | 3 | 7 | 11 | 11 | 7 | 5 | 2 | 3 | -30 |
| Other | <u>-4</u> | <u>-2</u> | <u>0</u> | <u>0</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>-6</u> |
| Total Change | -539 | -264 | 186 | 182 | 9 | 12 | 12 | 8 | 5 | 2 | 2 | -385 |
| Economic Changes | | | | | | | | | | | | |
| Individual income taxes | -111 | -195 | -201 | -187 | -176 | -161 | -140 | -125 | -119 | -122 | -127 | -1,663 |
| Payroll taxes | -89 | -76 | -49 | -55 | -62 | -70 | -67 | -66 | -68 | -72 | -73 | -745 |
| Corporate income taxes | -30 | -46 | -42 | -36 | -34 | -30 | -24 | -19 | -16 | -15 | -15 | -307 |
| Other | <u>7</u> | <u>30</u> | <u>53</u> | <u>62</u> | <u>69</u> | <u>72</u> | <u>72</u> | <u>52</u> | <u>26</u> | <u>3</u> | <u>-31</u> | <u>414</u> |
| Total Change | -223 | -287 | -239 | -216 | -203 | -188 | -160 | -158 | -177 | -205 | -245 | -2,300 |
| Technical Changes | | | | | | | | | | | | |
| Individual income taxes | 315 | 118 | -158 | -175 | -23 | -18 | -11 | -16 | -14 | -14 | -13 | -9 |
| Payroll taxes | 97 | -35 | -24 | 3 | 3 | -6 | -8 | -10 | -10 | -10 | -13 | -13 |
| Corporate income taxes | 23 | -82 | -18 | -11 | -17 | -20 | -19 | -15 | -11 | -7 | -7 | -185 |
| Other | <u>-10</u> | <u>-10</u> | <u>-8</u> | <u>-8</u> | <u>-4</u> | <u>-8</u> | <u>-9</u> | <u>-11</u> | <u>-12</u> | <u>-15</u> | <u>-10</u> | <u>-104</u> |
| Total Change | 425 | -8 | -208 | -190 | -42 | -53 | -47 | -51 | -47 | -45 | -43 | -310 |
| Total Change in Revenues | -337 | -559 | -261 | -225 | -236 | -228 | -195 | -201 | -219 | -248 | -286 | -2,996 |

* = between -\$500 million and \$500 million.

The Output Gap



Changes in CBO's Economic Forecast Since January 2020



Deficit Increases Over the 2020–2030 Period From Legislation Enacted to Address the Coronavirus Pandemic, by Major Provision

Billions of Dollars

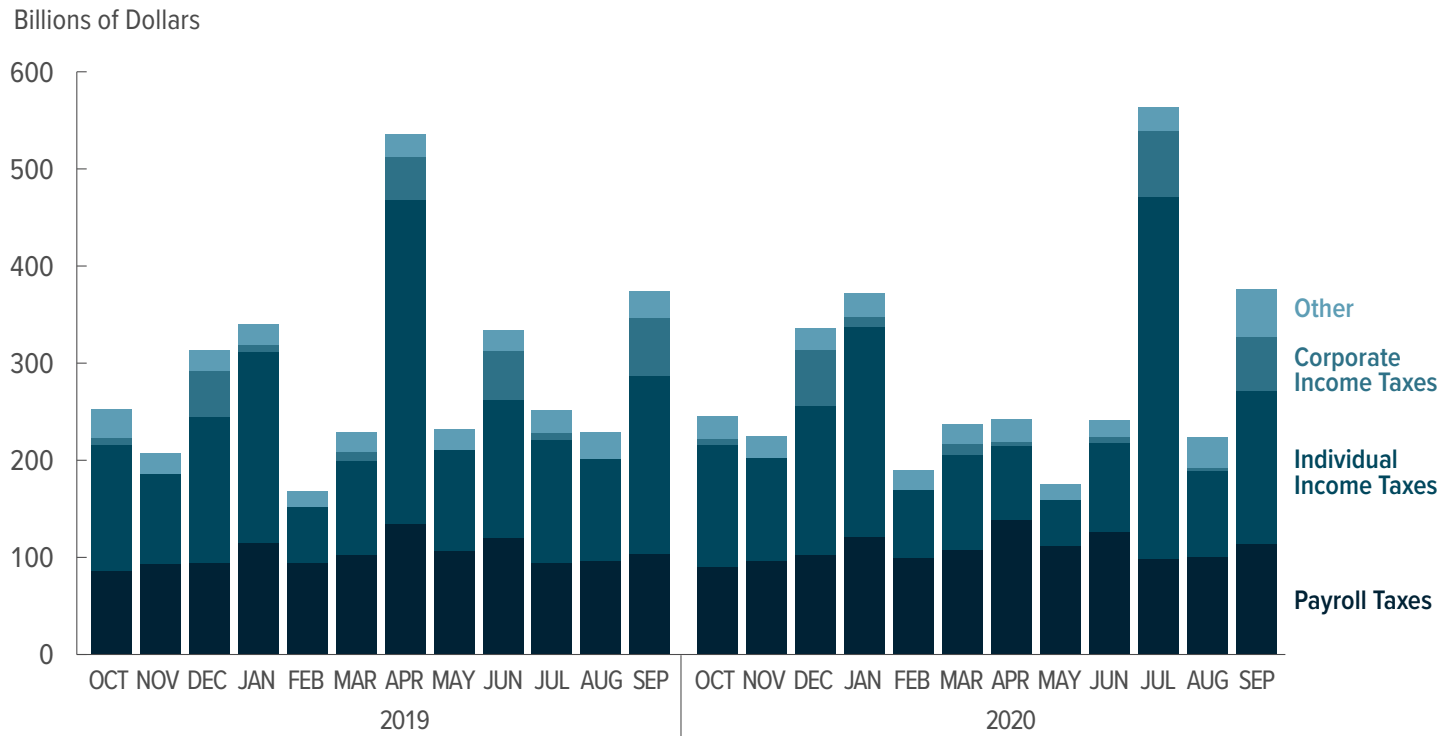
**Increases in
Outlays: 2,217**

**Reductions in
Revenues: 385**

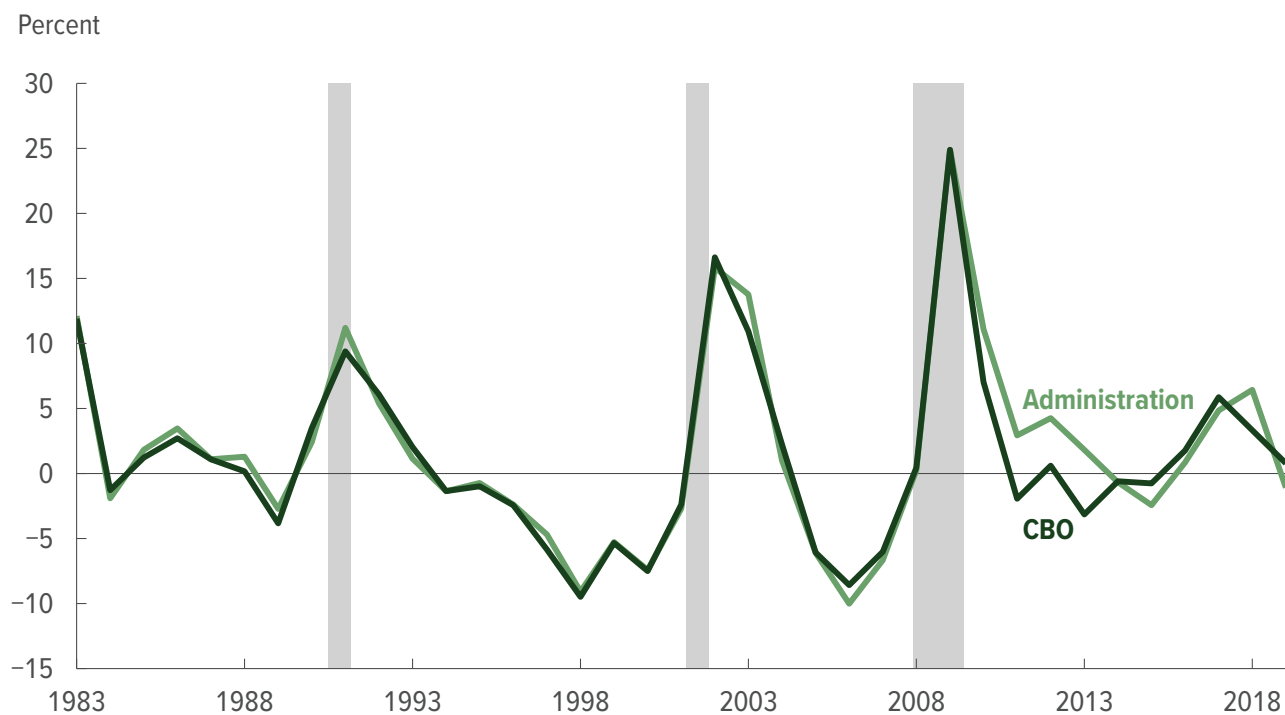
| | | | | |
|--|--|---|--------------------------------------|--|
| Paycheck Protection Program 541 | Recovery Rebates 281 | HHS Public Health and Social Services Emergency Fund 225 | | Increased Limits on Losses for Corporations and Taxpayers 161 |
| | Other Programs 177 | Coronavirus Relief Fund 150 | Disaster Relief 111 | |
| Unemployment Compensation Expansion 442 | Medicaid Financial Assistance to States and Coverage Continuity for Enrollees 172 | Education Stabilization Fund | Pandemic Relief for Aviation Workers | Other Tax Provisions 65 |
| | | Increase in SNAP Beneficiaries and Average Benefits 66 | 30 | 23 |

Total Increase in the Deficit: 2,603

Monthly Federal Revenues, by Source



Errors in CBO's and the Administration's Budget-Year Revenue Projections



Root Mean Square Errors of CBO's Budget-Year Projections, by Revenue Source

Percent

| | Root Mean Square Error | Average Share of Total Revenues | Root Mean Square Error Relative to Total Revenues |
|-------------------------|---------------------------|------------------------------------|---|
| Individual Income Taxes | 9.6 | 45.9 | 4.4 |
| Payroll Taxes | 3.3 | 35.9 | 1.3 |
| Corporate Income Taxes | 27.6 | 9.7 | 2.3 |
| Excise Taxes | 8.6 | 3.6 | 0.4 |
| Customs Duties | 11.0 | 1.3 | 0.2 |
| Estate and Gift Taxes | 17.0 | 1.0 | 0.2 |
| Miscellaneous Receipts | 15.1 | <u>2.6</u> | 0.5 |
| Total Revenues | 7.0 | 100 | n.a. |